

Message Text

CONFIDENTIAL

PAGE 01 BONN 09091 01 OF 02 271355Z

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04

H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01

OMB-01 STR-04 CEA-01 AGRE-00 /098 W

-----271438Z 081193 /42

P R 271342Z MAY 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 8619

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 09091

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: GDS

TAGS: ECON, EFIN, GW

SUBJECT: INTERNAL FRG FORECAST OF 1977 GNP SHOWS 4.5

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 09091 01 OF 02 271355Z

PERCENT GROWTH: SLIPPAGE FROM 5 PERCENT TARGET

1. IN CONNECTION WITH THE PREPARATION OF A NEW ESTIMATE OF 1977 TAX REVENUES, FRG EXPERTS DEVELOPED A NEW GNP FORECAST LAST WEEK WHICH CALLS FOR 4.5 PERCENT REAL GROWTH THIS YEAR. UNTIL NOW, OF COURSE, 5 PERCENT HAD BEEN THE OFFICIAL FORECAST FIGURE. THE PRESS HAS THE

4.5 PERCENT (WITHOUT DETAILS) BURIED IN A STORY ON THE FISCAL SITUATION, AND VERY LITTLE IS MADE OF THE REDUCTION OF GROWTH EXPECTATIONS, AND NOTHING IS MENTIONED OF ITS RELATION TO THE LONDON SUMMIT GROWTH COMMITMENT. WE UNDERSTAND THAT THE ISSUE MAY BE FUZZED BY THE FRG REPRESENTATIVE AT NEXT WEEK'S OECD EDRC REVIEW OF THE GERMAN ECONOMY BY REFERRING TO A FORECAST OF 4.5 TO 5.0 PERCENT REAL GROWTH.

2. WE OBTAINED FROM A FINANCE MINISTRY CONTACT THE PRECISE COMPONENT GROWTH RATES UNDERLYING THE DOWNWARD-REVISED OFFICIAL GNP GROWTH EXPECTATION. (AS THE CONTACT PROVIDED THESE TO US FROM AN INTERNAL DOCUMENT, WITHOUT CLEARANCE TO DO SO, THIS INFORMATION SHOULD BE TREATED BY END-USERS APPROPRIATELY.) THE DOWNWARD REVISION COMES ABOUT PARTIALLY AS A RESULT OF A CHANGE IN THE CONSTANT PRICE BASE YEAR FROM 1962 TO 1970 (WHICH WE PREVIOUSLY DISCUSSED IN BONN 8254 AND 8489) AND ALSO AS A RESULT OF A SLIGHTLY LESS OPTIMISTIC JUDGEMENT OF THE ECONOMIC OUTLOOK. SINCE THE BASE YEAR CHANGE ALONE HAS BEEN SAID TO ACCOUNT FOR A 0.3 PERCENTAGE POINT REDUCTION, THE SLIGHTLY SOFTER ECONOMIC OUTLOOK PROBABLY SHAVED 0.2 PERCENTAGE POINTS OFF THE TOTAL GNP REAL GROWTH RATE. IT IS DIFFICULT TO SAY PRECISELY WHICH COMPONENTS ARE JUDGED TO HAVE WEAKENED, SINCE THE FRG ANNUAL ECONOMIC REPORT (WHICH IS ALSO THE GERMAN SUBMISSION TO NEXT WEEK'S OECD EDRC ANNUAL REVIEW) IS NOT NEARLY SO DISAGGREGATED, MAKING ANY MEANINGFUL COMPARISON ALMOST IMPOSSIBLE. WE HAVE NOT RECEIVED ANY OTHER PRIOR

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 09091 01 OF 02 271355Z

SIMILAR DETAILING OF OFFICIAL GROWTH EXPECTATIONS FOR COMPARISON PURPOSES EITHER. IN ADDITION, THERE IS THE FACTOR OF THE CHANGE IN BASE YEAR, WHICH MAKES THE COMPARISON OF COMPONENT REAL GROWTH RATES WITH THE RECENT JOINT FORECAST OF THE RESEARCH INSTITUTES SOMEWHAT PROBLEMATIC AS WELL.

3. ON ONE POINT THERE IS SOME COMPARISON POSSIBLE IN THAT THE ANNUAL ECONOMIC REPORT SPEAKS OF REDUCING THE UNEMPLOYMENT RATE TO "UNDER 4 PERCENT," WHILE THE NEW FORECAST SETS THIS FIGURE AT "AROUND 4 PERCENT". THE IMPLICIT PRIVATE CONSUMPTION DEFLATOR OF 3.9 PERCENT IN THE NEW FORECAST ALSO IS GENERALLY IN LINE WITH THE REPORT'S FORECAST OF CONSUMER PRICE RISES OF "UNDER 4 PERCENT".

4. PERTINENT TABLE FOLLOW:

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 09091 02 OF 02 271356Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03
TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01
OMB-01 STR-04 CEA-01 AGRE-00 /098 W
-----271437Z 081210 /42

P R 271342Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 8620
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAF RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 02 OF 02 BONN 09091

FRG INTERNAL FORECAST OF 1977 GNP GROWTH RATES
(PERCENT)
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 09091 02 OF 02 271356Z

	REAL (1970 PRICES)	NOMIAL
	-----	-----
PRIVATE CONSUMPTION	4.5	8.4
PUBLIC CONSUMPTION	3.0	7.5
GROSS FIXED INVESTMENT	4.5	8.7
MACHINERY & EQUIPMENT	7.0	11.0
BUILDING	2.5	7.0
INVENTORY CHANGES (DM BILLION)	(13.0) 1)	(20.0)
NET FOREIGN BALANCE (DM BILL.)	(26.0) 2)	(24.0)
EXPORTS	7.0	10.0
IMPORTS	8.0	12.0
GNP	4.5	8.5

1) THE INVENTORY CHANGE FIGURE FOR 1976 IN 1970 CONSTANT PRICES WAS DM 9.5 BILLION, SO THERE IS A POSITIVE SWING OF DM 4.5 ON THIS ACCOUNT EXPECTED IN 1977.

2) THE NET FOREIGN BALANCE FOR 1976 IN 1970 CONSTANT PRICES WAS ALSO DM 26 BILLION, SO THERE IS NO SWING EFFECT ANTICIPATED IN 1977.

STOESSEL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, GNP, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN09091
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770190-0277
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770511/aaaaajiy.tel
Line Count: 196
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fea36088-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2344083
Secure: OPEN
Status: NATIVE
Subject: INTERNAL FRG FORECAST OF 1977 GNP SHOWS 4.5 CONFIDENTIAL CONFIDENTIAL
TAGS: ECON, EFIN, GE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/fea36088-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009